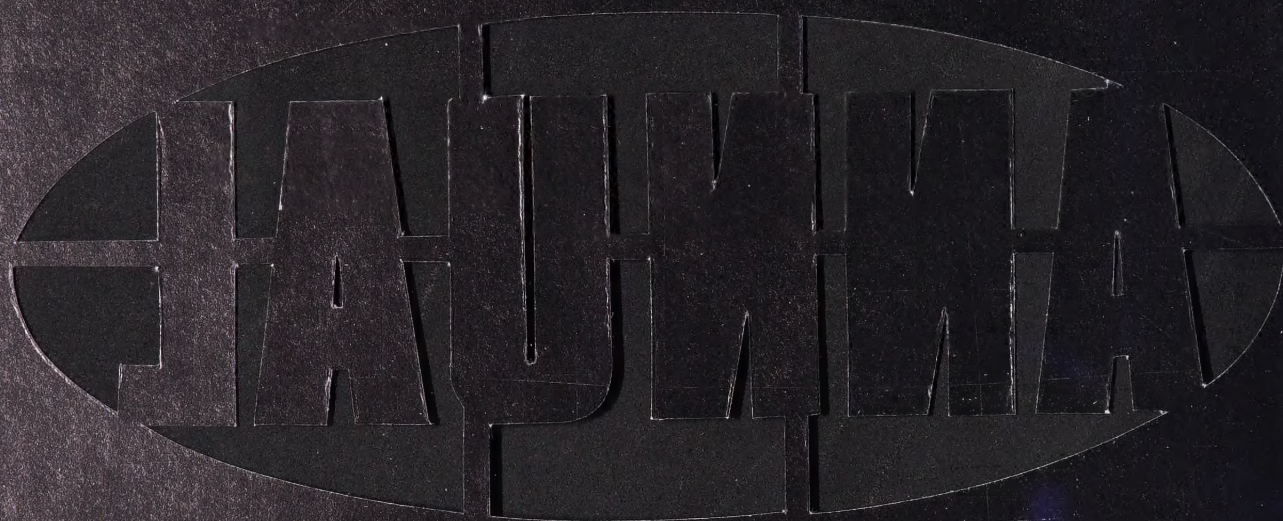


AR24

THOMSON NEWSPAPERS LIMITED

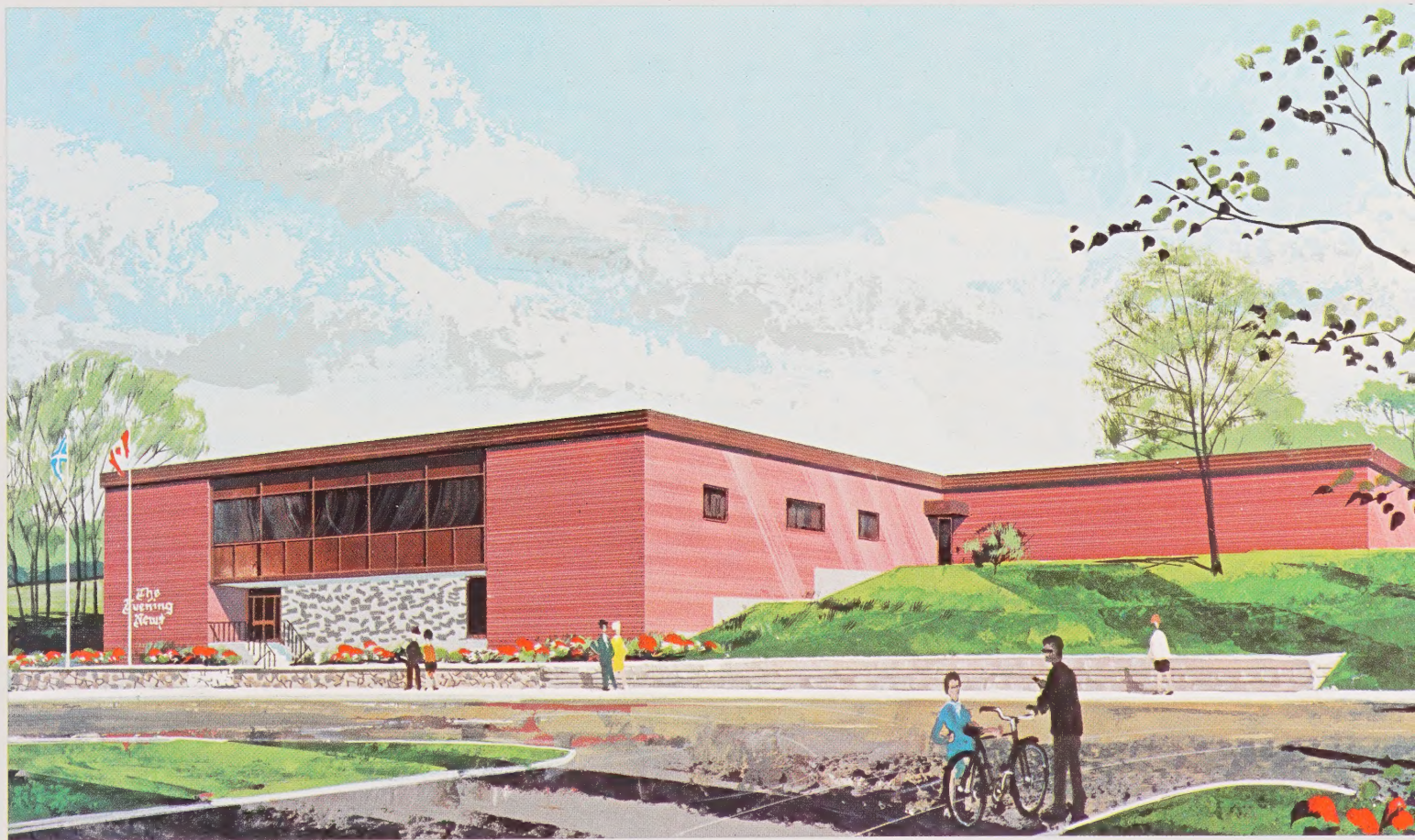


for the year 1975



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Illustrated above are architect's renditions of new offices and plants completed during 1975 for two Thomson Newspapers. The drawing at the top is that of Greenville (Ohio) Daily Advocate, and, below, The Evening News, New Glasgow, Nova Scotia.



Enlargement of area indicated on map.

Thomson Newspapers in Canada

BRITISH COLUMBIA

Nanaimo Daily Free Press, Nanaimo (1)
Kamloops Daily Sentinel, Kamloops (2)
The News, Vernon (3)
The Kelowna Daily Courier, Kelowna (4)
Penticton Herald, Penticton (5)

SASKATCHEWAN

Prince Albert Daily Herald, Prince Albert (6)
The Sun, Swift Current (7) **
Moose Jaw Times-Herald, Moose Jaw (8)
The Yorkton Enterprise, Yorkton (9) *

ONTARIO

The Times-News, Thunder Bay (10)
The Chronicle-Journal, Thunder Bay (11)
The Daily Press, Timmins (12)

ONTARIO (cont.)

Northern Daily News, Kirkland Lake (13)
The Standard, Elliot Lake (14) *
The Standard, Espanola (15) *
The Sudbury Star, Sudbury (16)
The Sarnia Observer, Sarnia (17)
The Chatham Daily News, Chatham (18)
Leamington Post and News, Leamington (19) *
Dunnville Chronicle, Dunnville (20) *
The Evening Tribune, Welland (21)
Niagara Falls Review, Niagara Falls (22)
St. Thomas Times-Journal, St. Thomas (23)
The Daily Sentinel-Review, Woodstock (24)
The Evening Reporter, Cambridge (25)
The Daily Mercury, Guelph (26)
Georgetown Herald, Georgetown (27) *

ONTARIO (cont.)

The Daily Times, Brampton (28)
The Orangeville Banner, Orangeville (29) *
The Hanover Post, Hanover (30) *
Enterprise-Bulletin, Collingwood (31) *
The Free Press Herald, Midland (32) **
Daily Packet and Times, Orillia (33)
The Barrie Examiner, Barrie (34)
The Oshawa Times, Oshawa (35)
Peterborough Examiner, Peterborough (36)
The Trentonian and Tri-County News, Trenton (37) ®
The Intelligencer, Belleville (38)
The Pembroke Observer, Pembroke (39)
Standard-Freeholder, Cornwall (40)

NEW BRUNSWICK

The Northern Light, Bathurst (41) *

NOVA SCOTIA

The Daily News, Truro (42)
The Evening News, New Glasgow (43)
Cape Breton Post, Sydney (44)

PRINCE EDWARD ISLAND

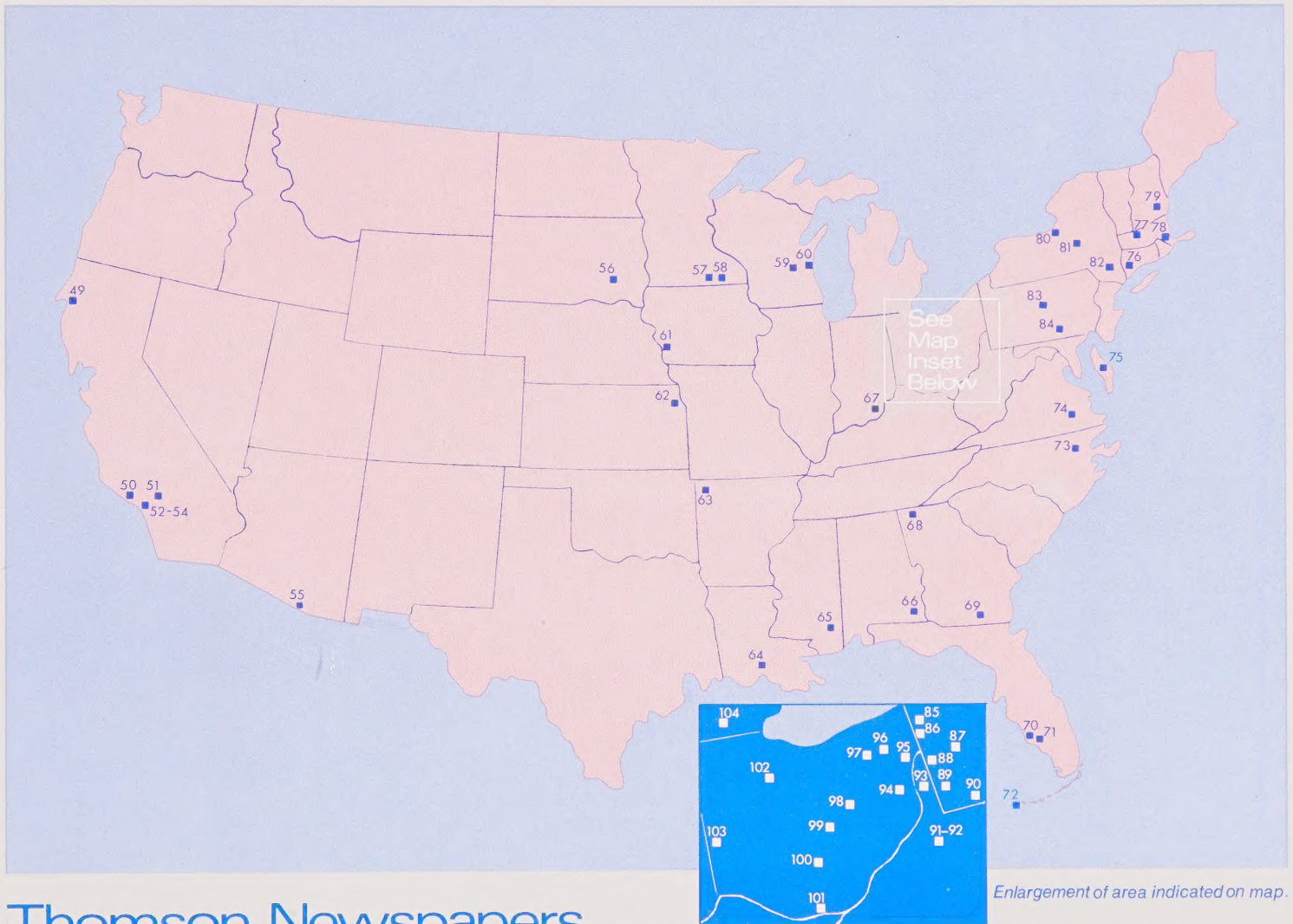
The Guardian, Charlottetown (45)
The Evening Patriot, Charlottetown (46)

NEWFOUNDLAND

The Western Star, Corner Brook (47)
The Evening Telegram, St. John's (48)

ALL NEWSPAPERS ARE PUBLISHED DAILY
except those marked as follows:

* WEEKLY ** SEMI-WEEKLY ® TRI-WEEKLY



Thomson Newspapers in the United States

ALABAMA

The Dothan Eagle, Dothan (66)•

ARIZONA

The Daily Dispatch, Douglas (55)

ARKANSAS

Northwest Arkansas Times, Fayetteville (63)•

CALIFORNIA

The Times-Standard, Eureka (49)•
 The Press-Courier, Oxnard (50)•
 San Gabriel Valley Daily Tribune, West Covina (51)•

El Monte Herald, El Monte (52)★
 La Puente Valley Journal, La Puente (53)★
 Rosemead Review, Rosemead (54)★

CONNECTICUT

The Evening Sentinel, Ansonia (76)

FLORIDA

Englewood Herald, Englewood (70)★
 The Herald-News, Punta Gorda (71)
 The Key West Citizen, Key West (72)•

GEORGIA

The Daily Citizen-News, Dalton (68)
 The Valdosta Daily Times, Valdosta (69)•

INDIANA

The Tribune, New Albany (67)•

IOWA

Council Bluffs Nonpareil, Council Bluffs (61)•

KANSAS

The Leavenworth Times, Leavenworth (62)•

LOUISIANA

The Daily Advertiser, Lafayette (64)•

MARYLAND

The Daily Times, Salisbury (75)•

MASSACHUSETTS

The Daily Sentinel and Leominster Enterprise,
 Fitchburg (77)
 Taunton Daily Gazette, Taunton (78)

MICHIGAN

Adrian Daily Telegram, Adrian (104)

MINNESOTA

Austin Daily Herald, Austin (57)
 The Evening Tribune, Albert Lea (58)•

MISSISSIPPI

Laurel Leader-Call, Laurel (65)

NEW HAMPSHIRE

The Portsmouth Herald, Portsmouth (79)

NEW YORK

The Evening Telegram, Herkimer (80)
 The Palladium-Times, Oswego (81)
 The Evening News, Newburgh (82)

NORTH CAROLINA

The Evening Telegram, Rocky Mount (73)•

OHIO

Steubenville Herald-Star, Steubenville (94)•
 The Evening Review, East Liverpool (95)
 The Salem News, Salem (96)
 The Canton Repository, Canton (97)•
 The Coshocton Tribune, Coshocton (98)•
 The Times Recorder, Zanesville (99)•
 Lancaster Eagle-Gazette, Lancaster (100)
 The Portsmouth Times, Portsmouth (101)
 Greenville Daily Advocate, Greenville (102)
 The Marion Star, Marion (103)

PENNSYLVANIA

The Express, Lock Haven (83)
 The Evening Sun, Hanover (84)
 The Meadville Tribune, Meadville (85)

PENNSYLVANIA (cont.)

The Record-Argus, Greenville (86)
 Leader-Times, Kittanning (87)
 The Midland News, Midland (88)★
 The Valley Independent, Monessen (89)
 The Daily Courier, Connellsville (90)

SOUTH DAKOTA

The Daily Republic, Mitchell (56)

VIRGINIA

The Progress-Index, Petersburg (74)•

WEST VIRGINIA

The Fairmont Times, Fairmont (91)
 The Times-West Virginian, Fairmont (92)•
 The Weirton Daily Times, Weirton (93)

WISCONSIN

Fond du Lac Reporter, Fond du Lac (59)
 Manitowoc Herald-Times-Reporter,
 Manitowoc (60)

ALL NEWSPAPERS ARE PUBLISHED DAILY
 except those marked as follows:
 • DAILY including SUNDAY ★ WEEKLY

Officers

The Rt. Hon. Lord Thomson of Fleet, *Honorary Chairman*
K. R. Thomson, *Chairman of the Board and President*
St. Clair McCabe, *Executive Vice-President and Chief Operating Officer*
Margaret L. Hamilton, *Senior Vice-President*
J. J. Stephenson, C.A., *Vice-President — Finance*
B. W. Slight, *General Manager*
J. A. Melville, *Secretary-Treasurer*
R. J. Keegan, C.A., *Assistant Secretary-Treasurer*

Directors

S. F. Chapman, C.A.
Margaret L. Hamilton
The Hon. W. E. Harris, Q.C.
St. Clair McCabe
D. J. Peacher
B. W. Slight
D.C.H. Stanley
J. J. Stephenson, C.A.
K. R. Thomson
The Rt. Hon. Lord Thomson of Fleet
John A. Tory, Q.C.

Executive Offices

Thomson Newspapers Limited, 65 Queen Street West, Toronto, Canada

Thomson Newspapers Inc.,

3150 Des Plaines Avenue, Des Plaines, Illinois
F. C. MILES, *General Manager*

4150 Belden Village Street, Canton, Ohio
D. P. HICKS, *Assistant General Manager*

1111 North Westshore Boulevard, Tampa, Florida
J. KNOX DYE, *Assistant General Manager*

Sales Offices: Toronto, Montreal, New York, Chicago, Pittsburgh

Transfer Agent

Montreal Trust Company,

Toronto, Montreal, Vancouver, Calgary, Regina, Winnipeg and Halifax, Canada

Financial Highlights

	1975	1974
Operating revenue	\$199,257,996	\$175,396,106
Income before amortization of goodwill	\$ 35,245,394	\$ 29,713,796
Net income	\$ 35,154,596	\$ 29,707,466
Shares Outstanding		
48,913,214 Class A and 323,158 Class B		
(1974 — 48,929,919 Class A and 306,453 Class B)	49,236,372	49,236,372
Earnings per Class A and Class B share after preference dividends		
Income before amortization of goodwill	69.9¢	58.6¢
Net income	69.7¢	58.6¢
Dividends paid		
Preference shares	\$ 850,795	\$ 877,690
Class A and Class B shares	\$ 13,786,184	\$ 11,816,729
Per share — Class A convertible	28.0¢	24.0¢
— Class B convertible	23.8¢	22.05¢

Report of the Directors

On behalf of the Board of Directors, I am pleased to present the consolidated financial statements of your Company as at December 31, 1975, together with the Auditors' Report thereon.

Net income for the year ended December 31, 1975 was \$35,154,596 compared with net income of \$29,707,466 in 1974. There were no items of extraordinary income in either year. Net sales for 1975 were \$199,257,996 compared with \$175,396,106 in 1974.

Net income per Class A and Class B share, after deducting dividends on the outstanding 6-3/4% Cumulative Redeemable Preference Shares of the Company, was 69.7¢ based on the weighted average number of shares outstanding during 1975 (49,236,372) compared with 1974 net income per share of 58.6¢.

Net income and net income per Class A and Class B share are shown in the financial statements both before and after amortization of goodwill. As previously explained, the management of your Company is of the opinion that goodwill should only be written down if there has been a diminution in its value but in accordance with the rules of the Canadian Institute of Chartered Accountants goodwill arising from the acquisition of newspapers by your Company after April 1, 1974 will be amortized over a period of 40 years. The above figures are after amortization of goodwill which amounted to only 2/10ths of a cent per share for 1975. In 1976 and future years the amount charged will depend on the number and size of newspapers acquired and also on the portion of the cost of each acquisition assigned to circulation.

Dividends were paid in each of the first two quarters of 1975 at the rate of 6.5¢ per Class A share and 5.525¢ per Class B share and in the last two quarters at the rate of 7.5¢ per Class A share and 6.375¢ per Class B share. The increase in the dividend rate was made in accordance with your Company's policy of increasing the rate of dividends on its shares in line with increases in net income.

Your Company is regulated under the Anti-Inflation Act which provides for the restraint of prices, profit margins, compensation and dividends in Canada after October 13, 1975. Under the present regulations your Company is precluded from increasing its dividend rate for the 12 months ending October 13, 1976.

During the year, your Company continued its program of modernization of production facilities and processes. Expenditures on new plants and equipment and additions or alterations to existing plants amounted to approximately \$8,500,000. It is anticipated that up to a further \$20,000,000 will be expended on this program in the current year including construction of 6 new plants. This will substantially complete the modernization program. The benefits of improved productivity resulting from this program are expected to be significant.

During 1975 your Company acquired one daily newspaper in Canada at Truro, Nova Scotia and two daily newspapers in the United States at Lock Haven and Connellsville, Pennsylvania. A small weekly newspaper in Arnprior, Ontario was sold. Your Company now publishes 86 daily and 18 weekly newspapers in Canada and the United States. The daily newspapers have an aggregate circulation of approximately 1,407,000.

The results of your Company's operations for 1975 support our policy of confining our acquisitions to newspapers in small to medium-sized cities which are not as severely affected by downturns in the economy. Your Company is always on the look-out for further attractive acquisitions in the newspaper publishing field and is now in a stronger position than ever before to finance such acquisitions.

Your Company's philosophy of local autonomy in editorial matters is intended to ensure that its newspapers reflect the needs and character of the communities they serve. This philosophy ensures the acceptance of our newspapers in their respective communities and this in turn ensures their continued growth and profitability.

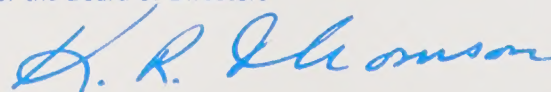
It is anticipated that favourable earnings growth will continue in 1976. The continuing growth of your Company, both in terms of additional newspaper acquisitions and improved operations within existing markets, remains a fundamental objective.

As mentioned above, the Company's Canadian operations are regulated under the Anti-Inflation Act and at this time it is still difficult to assess what effect this will have on these operations. The regulations will not, of course, affect the Company's United States operations which account for a major portion of revenues and profits.

During the year Messrs. D. J. Peacher, J. J. Stephenson and B. W. Slaight joined the Board of Directors. The advice and assistance of these gentlemen will be of considerable benefit to your Company.

On behalf of the Board I would like to express my sincere gratitude to the officers and employees of the Company for their contribution to a most successful year.

For the Board of Directors



President

Consolidated Balance Sheet

ASSETS

	1975	1974
Current Assets		
Cash and term deposits	\$ 20,794,975	\$ 16,338,007
Trade accounts receivable less allowance for doubtful accounts	24,405,381	21,386,589
Other accounts receivable	1,123,115	4,971,070
Inventories (note 1(c))	5,981,216	2,827,602
Prepaid expenses	785,360	520,675
	<u>53,090,047</u>	<u>46,043,943</u>
Investments and Other Assets, at cost	<u>1,922,448</u>	<u>2,863,523</u>
Fixed Assets (note 1(d))		
Land	7,891,564	7,759,938
Buildings, machinery and equipment	98,495,386	94,929,625
	<u>106,386,950</u>	<u>102,689,563</u>
Less accumulated depreciation	48,530,675	47,910,150
	<u>57,856,275</u>	<u>54,779,413</u>
Circulation and Goodwill, at cost less amortization (note 1(e))	<u>130,725,377</u>	<u>125,762,963</u>
	<u>\$243,594,147</u>	<u>\$229,449,842</u>

Approved by the Board

St. Clair McCabe, Director

J. J. Stephenson, Director

Papers Limited

(Incorporated in the laws of Ontario)

Companies

as at December 31, 1975

LIABILITIES

	1975	1974
Current Liabilities		
Accounts payable and accrued liabilities	\$ 9,118,717	\$ 8,568,103
Income and other taxes payable	6,284,330	4,990,251
Principal due within one year on long-term debt	5,708,678	7,298,856
Prepaid subscriptions	2,126,249	1,910,171
	<u>23,237,974</u>	<u>22,767,381</u>
Long-Term Debt (note 2)	25,117,473	31,198,525
Deferred Income Taxes and Other Liabilities	4,319,439	4,888,494
Interest of Minority Common Shareholders of Subsidiary Companies	<u>588,914</u>	<u>482,712</u>

SHAREHOLDERS' EQUITY

Capital Stock (note 3)		
Authorized		
551,750 Preference shares with a par value of \$50 each, issuable in series (1974 — 557,750 shares)		
90,000,000 Class A and Class B interconvertible participating shares without par value		
1,000 Common shares without par value		
Issued		
251,750 6% Cumulative redeemable preference shares, Series A (1974 — 257,750 shares)	12,587,500	12,887,500
49,236,372 Shares consisting of 48,913,214 Class A and 323,158 Class B (1974 — 48,929,919 Class A and 306,453 Class B)	<u>54,208,420</u>	<u>54,208,420</u>
	66,795,920	67,095,920
Retained Earnings	123,534,427	103,016,810
	<u>190,330,347</u>	<u>170,112,730</u>
	<u>\$243,594,147</u>	<u>\$229,449,842</u>

Consolidated Statement of Income

Year ended December 31, 1975

	1975	1974
Operating revenue	\$199,257,996	\$175,396,106
Costs and operating expenses	<u>127,040,555</u>	<u>112,216,639</u>
Income from operations	72,217,441	63,179,467
Income from investments	<u>1,340,884</u>	<u>1,275,829</u>
	73,558,325	64,455,296
Depreciation	<u>5,040,737</u>	<u>4,924,942</u>
Interest on long-term debt	<u>2,021,337</u>	<u>1,829,250</u>
	7,062,074	6,754,192
Income before undernoted items	<u>66,496,251</u>	<u>57,701,104</u>
Income taxes — current	30,602,809	26,674,387
— deferred	<u>541,846</u>	<u>1,227,021</u>
	31,144,655	27,901,408
	<u>35,351,596</u>	<u>29,799,696</u>
Interest of minority shareholders	<u>106,202</u>	<u>85,900</u>
Income before amortization of goodwill	35,245,394	29,713,796
Amortization of goodwill (note 1 (e))	<u>90,798</u>	<u>6,330</u>
Net Income	<u>\$ 35,154,596</u>	<u>\$ 29,707,466</u>
Earnings per Class A and Class B share		
Income before amortization of goodwill	69.9¢	58.6¢
Net income	69.7¢	58.6¢

The earnings per Class A and Class B share are after deducting dividends paid on the outstanding 6% preference shares.

Consolidated Statement of Retained Earnings

Year ended December 31, 1975

	1975	1974
Balance at beginning of year	\$103,016,810	\$ 86,003,763
Net income	<u>35,154,596</u>	<u>29,707,466</u>
	<u>138,171,406</u>	<u>115,711,229</u>
Dividends paid on		
Preference shares	850,795	877,690
Class A and Class B shares	<u>13,786,184</u>	<u>11,816,729</u>
	14,636,979	12,694,419
Balance at end of year	<u>\$123,534,427</u>	<u>\$103,016,810</u>

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1975

		<u>1974</u>
Working capital derived from		
Operations		
Net income	\$35,154,596	\$29,707,466
Items not involving working capital		
Depreciation	5,040,737	4,924,942
Amortization of goodwill	90,798	6,330
Deferred income taxes	541,846	1,227,021
Interest of minority shareholders in net income of subsidiary companies	106,202	85,900
Loss (profit) on disposal of investments and fixed assets, net	1,179,524	(581,375)
	<u>42,113,703</u>	<u>35,370,284</u>
Reclassification of investments and other assets	797,670	
Proceeds on disposal of investments and fixed assets	1,074,177	7,226,585
Increase in non-current liabilities		
Long-term debt		5,106,319
Deferred liabilities		506,475
Other	141,116	
	<u>44,126,666</u>	<u>48,209,663</u>
Working capital applied to		
Additions to non-current assets		
Fixed assets	9,129,031	7,206,715
Investments and other assets		3,295,771
Circulation and goodwill, net		1,491,106
Acquisition of subsidiary companies less their working capital of \$690,712	6,293,192	9,450,089
Reduction in non-current liabilities		
Long-term debt	6,081,052	6,958,023
Deferred liabilities	1,110,901	
Dividends paid on		
Preference shares	850,795	877,690
Class A and Class B shares	13,786,184	11,816,729
Preference shares purchased for cancellation	300,000	300,000
	<u>37,551,155</u>	<u>41,396,123</u>
Increase in working capital	6,575,511	6,813,540
Working capital at beginning of year	23,276,562	16,463,022
Working capital at end of year	<u>\$29,852,073</u>	<u>\$23,276,562</u>

Notes to Consolidated Financial Statements

Year ended December 31, 1975

1. ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the accounts of all subsidiary companies as follows:

Canadian subsidiary companies

Atlantic Newspapers Limited (acquired December 2, 1975), Canadian Newspapers Company Limited, Niagara Falls Publishing Company Limited, The Northern Light Limited, Ontario Newspapers Company Limited, Patriot Publishing Company, Post Publishing Company, Limited, Printco Limited (acquired December 2, 1975), St. John's Publishing Company Limited, Scotia Printers Limited, Thomson B.C. Newspapers Limited, The Times-Journal of St. Thomas, Limited, Western Printing and Publishing Limited and Western Publishers Limited.

United States subsidiary companies

The Courier Company (acquired October 17, 1975), Douglas Dispatch Inc., Greenville Newspapers Inc., Humboldt Newspapers, Inc., The Independent, Inc., Key West Newspaper Corporation, Lock Haven Express Printing Company (acquired March 14, 1975), Newburgh-Beacon News Co. Inc., Oxnard Publishing Company, The Punta Gorda Herald Inc., Rocky Mount Publishing Co., San Gabriel Valley Tribune, Inc., Thomson-Brush-Moore Newspapers, Inc., Thomson Newspapers (Pennsylvania) Inc., Thomson Newspaper Publishing Company, Inc., Thomson Newspapers Inc., Thomson Newspapers (New Hampshire) Inc., Thomson Newspapers (Ohio) Inc., Thomson Newspapers (Wisconsin) Inc., Thomson Publications of New York Inc. (incorporated December 29, 1975).

On January 1, 1975 Simpsons' Publishing Company was merged with Thomson Newspaper Publishing Company, Inc. and The Record-Argus Inc. was merged with Greenville Newspapers Inc.

The earnings of subsidiary companies acquired during the year, using the purchase accounting method, have been included from the respective dates of acquisition.

(b) Translation of foreign currency

The accounts of the subsidiary companies in the United States have been translated into Canadian dollars on the following basis:

- (i) current assets and current liabilities, at the exchange rate prevailing at the balance sheet date,
- (ii) all other assets and liabilities of subsidiary companies acquired, at the rate prevailing at the date of acquisition of such subsidiary companies,
- (iii) all other assets and liabilities, at the rate prevailing at the date the assets were acquired or the liabilities incurred,
- (iv) income and expenses, at the average rate for the year except for depreciation which is based on the cost of fixed assets as translated at the rate prevailing at the date of acquisition and income tax, to the extent of the unpaid balance, which is at the rate prevailing at the balance sheet date.

(c) Inventories

Inventories consist principally of newsprint and are valued at the lower of cost and replacement cost.

(d) Fixed assets and depreciation

Fixed assets are stated at cost. Depreciation is provided on the straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Machinery and equipment	10 to 25 years
Furniture and fixtures	10 years
Automobiles	4 years
Leasehold improvements	over terms of leases

(e) Circulation and goodwill

Effective April 1, 1974 generally accepted accounting principles require a determination of the fair value of intangible assets acquired and the value of items designated as goodwill must be amortized over a period not exceeding forty years.

Prior to April 1, 1974 no effort was made to separate the cost of intangible assets between amounts for circulation and for goodwill. Since April 1, 1974 the company has determined the cost of circulation in each purchase. This amount will not be amortized but will be written down pro rata if the volume of circulation falls below the volume capitalized at the date of acquisition. The aggregate amount so capitalized to December 31, 1975 is \$8,275,567.

Goodwill acquired before April 1, 1974 will not be amortized, but will be written down if there should be a diminution in its value. In the opinion of management no write-down or amortization is required in respect of amounts designated as goodwill acquired after April 1, 1974 because there has been no diminution in the value. However, in accordance with the recommendations of the Canadian Institute of Chartered Accountants, such amounts will be amortized over forty years from date of acquisition. Accumulated amortization to December 31, 1975 amounted to \$97,128 (1974 — \$6,330).

Notes to Consolidated Financial Statements

Year ended December 31, 1975

2. LONG-TERM DEBT

	1975	1974
Thomson Newspapers Limited and Canadian subsidiary companies		
First mortgage bonds		
5% sinking fund bonds, 1955 series, due October 1, 1975		\$ 1,373,500
6% sinking fund bonds, 1960 series, due November 1, 1980, annual sinking fund \$150,000	\$ 1,640,000	1,860,000
Thomson Newspapers Inc. and subsidiary companies		
Notes payable		
4% promissory notes payable U.S. \$1,800,000 semi-annually to December 11, 1977 (secured by a pledge of all the shares of Thomson-Brush-Moore Newspapers, Inc.,) (U.S. \$7,200,000)	7,778,232	11,667,348
6% promissory notes payable annually to May 1, 1987 as follows:		
1976 U.S. \$812,500; 1977-79 U.S. \$875,000; 1980-84 U.S. \$937,500 and 1985-87 U.S. \$1,000,000; (U.S. \$11,125,000)	12,005,210	12,881,453
Notes, with interest at 80% of prime rate, payable		
U.S. \$142,000 quarterly to December 30, 1984 (U.S. \$5,112,000)	5,051,167	5,612,408
Miscellaneous notes and mortgages payable		
(U.S. \$4,561,322)	4,620,759	5,517,843
	31,095,368	38,912,552
Less principal due within one year included in current liabilities (at current rate of exchange \$5,708,678)	5,977,895	7,714,027
	<u>\$25,117,473</u>	<u>\$31,198,525</u>
Long-term debt repayments over the next five years amount to:		
1976	\$5,977,895	
1977	6,150,707	
1978	2,256,724	
1979	2,182,399	
1980	3,286,159	

3. CAPITAL STOCK

- (a) The company has issued preference shares which are designated as 6% cumulative redeemable preference shares, series A, redeemable on or after December 15, 1977 at \$51 per share. The company is obliged, in each calendar year, to purchase for cancellation \$300,000 aggregate par value of series A preference shares in the market (if obtainable) at a price not exceeding the amount paid up thereon plus accrued dividends and costs of purchase. During 1975, 6,000 preference shares, having an aggregate par value of \$300,000 were purchased for cancellation.
- (b) Class A participating shares are convertible into Class B participating shares, and vice versa, on a one for one basis at the option of the holders thereof. The shares of each class are voting and rank equally in all respects. Dividends declared on the Class A shares are ordinary taxable dividends while dividends declared on the Class B shares are paid out of tax-paid undistributed surplus on hand and, when this source is exhausted, will be paid out of 1971 capital surplus on hand. Such dividends are free of immediate income tax under the Income Tax Act (Canada) but reduce the adjusted cost base of the shares resulting in a corresponding increase in the capital gain (or decrease in the capital loss) on disposal. Dividends on the Class B shares paid out of tax-paid undistributed surplus amount to 85% of the dividends paid on the Class A shares since the company must pay a tax of 15% to create the amount of tax-paid undistributed surplus out of which such dividends are paid.

4. DIVIDEND RESTRICTIONS

Provisions restricting the payment of dividends by the company are contained in the guarantees endorsed on the 6% promissory notes due May 1, 1987 of Thomson Newspapers Inc. Similar provisions are contained in the conditions attaching to the outstanding preference shares of the company. The most restrictive of these provisions is that the company may not pay dividends if such payment would reduce the consolidated net current assets (as defined) of the company and certain of its subsidiaries below the sum of \$2,000,000. The consolidated net current assets (as defined) of the company and such subsidiaries at December 31, 1975 exceeded \$19,000,000 (see also note 8).

Notes to Consolidated Financial Statements

Year ended December 31, 1975

5. UNFUNDED PENSION OBLIGATIONS

Thomson-Brush-Moore Newspapers, Inc. and certain of its subsidiary companies have two unfunded voluntary pension plans. At November 1, 1970, the actuarial deficiency of one plan amounted to approximately \$1,600,000 and the annual contribution requirement over the period of thirty-seven years from that date amounts to \$129,900. The second plan at December 31, 1971 had an actuarial deficiency of approximately \$125,000 and the annual contribution requirement over the period of forty years from that date amounts to \$6,700. The company charges the annual contribution requirement against income thereby recording a liability against which the amounts paid to retired employees are charged.

Certain other subsidiary companies have funded pension plans which, based on the most recent actuarial reports, had actuarial deficiencies aggregating approximately \$634,000 which are being amortized over periods up to forty years. The annual contribution requirements total approximately \$13,000.

6. LONG-TERM LEASE

The company leases office and storage space in a building at 65 Queen Street West, Toronto, for a term expiring in 2001 at an annual rental of approximately \$309,000. Rentals under subleases contracted to date for varying terms up to ten years, covering space not occupied by the company, aggregate approximately \$133,000 per annum.

7. ACQUISITIONS

During the year all of the outstanding capital stock of Atlantic Newspapers Limited (Truro, Nova Scotia), Printco Limited (Truro, Nova Scotia), The Courier Company (Connellsville, Pennsylvania) and Lock Haven Express Printing Company (Lock Haven, Pennsylvania) was acquired.

The acquisition equation for these acquisitions is as follows:

Total assets acquired excluding circulation and goodwill	\$2,076,474
Circulation (note 1 (e))	<u>3,800,567</u>
	5,877,041
Less total liabilities	<u>740,857</u>
Net assets acquired at assigned values (net book value \$1,335,617)	5,136,184
Excess of cost of shares over assigned values of net assets acquired (to be amortized over 40 years)	<u>1,847,720</u>
Cash consideration at fair value	<u>\$6,983,904</u>

8. ANTI-INFLATION ACT

The company is regulated under the Anti-Inflation Act which provides for the restraint of prices, profit-margins, compensation and dividends in Canada after October 13, 1975. While the ultimate application and interpretation of the Act is not yet clear, it is anticipated that the provisions of the Act will have no significant effect on the company's earnings for the year ended December 31, 1975. However, the company is precluded from increasing its dividend rate for at least the twelve months ending October 13, 1976.

9. OTHER STATUTORY INFORMATION

The direct remuneration of directors and senior officers for 1975 amounts to \$859,705 (1974 — \$835,350).

Auditors' Report

To the Shareholders of
Thomson Newspapers Limited

We have examined the consolidated balance sheet of Thomson Newspapers Limited and subsidiary companies as at December 31, 1975 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination of Thomson Newspapers Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For those subsidiaries of which we are not the auditors, we have carried out such enquiries and examinations as we considered necessary in order to rely on the reports of the other auditors for purposes of consolidation.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 15, 1976

Thorne Riddell & Co.
Chartered Accountants



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